

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Monroe Raw Water Intake Partnership	County Monroe
Audit Date June 30, 2005	Opinion Date September 23, 2005	Date Accountant Report Submitted To State: February 15, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 27400 Northwester Highway	City Southfield	State MI	ZIP 48037
Accountant Signature 			

**Monroe Raw Water Intake Partnership**  
**(a joint venture between the City of Monroe, Michigan and**  
**Frenchtown Township, Michigan)**

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**Financial Report**  
**June 30, 2005**

# Monroe Raw Water Intake Partnership

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## Independent Auditor's Report

To the Governing Body  
Monroe Raw Water Intake Partnership  
Monroe, Michigan

We have audited the basic financial statements of the Monroe Raw Water Intake Partnership (City of Monroe, Michigan) for the year ended June 30, 2005. These financial statements are the responsibility of the management of the Monroe Raw Water Intake Partnership. Our responsibility was to express an opinion on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monroe Raw Water Intake Partnership as of June 30, 2005 and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

September 23, 2005



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# Monroe Raw Water Intake Partnership

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## Statement of Net Assets June 30, 2005

### Assets

#### Current assets:

Cash (Note 2)	\$ 264,195
Accounts receivable - City and Township	48,294
Prepaid expenses	<u>870</u>

Total current assets 313,359

Capital assets - Net (Note 3) 5,075,790

Total assets 5,389,149

**Liabilities** - Current - Accounts payable 61,359

### Net Assets

Invested in capital assets	5,075,790
Unrestricted	<u>252,000</u>

Total net assets \$ 5,327,790

# Monroe Raw Water Intake Partnership

## Statement of Changes in Net Assets Year Ended June 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating Revenue</b>			
Raw water billings:			
City of Monroe	\$ 235,885	\$ 252,280	\$ 16,395
Frenchtown Township	89,988	79,666	(10,322)
Investment income	2,000	4,157	2,157
Total operating revenue	327,873	336,103	8,230
<b>Operating Expenses</b>			
Capital outlay	92,758	-	92,758
Electricity	112,503	122,175	(9,672)
Other utility costs	9,910	10,490	(580)
Labor and contractual	65,744	61,260	4,484
Operating supplies and chemicals	17,990	20,449	(2,459)
Equipment rental	2,262	1,608	654
Audit fees	4,410	4,410	-
Depreciation	117,000	111,553	5,447
Miscellaneous	-	1,651	(1,651)
Total operating expenses	422,577	333,596	88,981
<b>Change in Net Assets</b>	(94,704)	2,507	97,211
<b>Net Assets - July 1, 2004</b>	5,325,283	5,325,283	-
<b>Net Assets - June 30, 2005</b>	<u>\$ 5,230,579</u>	<u>\$ 5,327,790</u>	<u>\$ 97,211</u>

# Monroe Raw Water Intake Partnership

## Statement of Cash Flows Year Ended June 30, 2005

### Cash Flows from Operating Activities

Cash received from customers	\$ 332,267
Cash paid to suppliers	(112,419)
Payments to employees	(61,260)
Other receipts/payments	<u>2,506</u>

Net cash provided by operating activities 161,094

### Cash Flows from Capital and Related Financing Activities - Acquisition of capital assets

(79,324)

### Cash and Cash Equivalents - Beginning of year

182,425

### Cash and Cash Equivalents - End of year

\$ 264,195

### Reconciliation of Change in Net Assets to Net Cash from Operating Activities

Change in net assets \$ 2,507

Adjustments to reconcile change in net assets to net cash  
from operating activities:

Depreciation expense 111,553

Changes in assets and liabilities:

Due from other governmental units 321

Prepays 120

Accounts payable 46,593

Net cash provided by operating activities \$ 161,094

# Monroe Raw Water Intake Partnership

**Notes to Financial Statements**  
**June 30, 2005**

## **Note 1 - Summary of Significant Accounting Policies**

The Monroe Raw Water Intake Partnership (the "Partnership") is a partnership between the City of Monroe and Frenchtown Township to provide the raw water intake and treatment that will be transmitted to the ultimate water customers by the two communities. The Partnership was constructed directly by the two communities. The Partnership is operated by the City of Monroe (the "City").

The accounting policies of the Partnership conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

### **Basis of Accounting**

The accrual basis of accounting is used by the Partnership.

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Fixed Assets** - All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary funds on a straight-line basis.

**Inventories** - Inventories are not significant and therefore have been expensed when purchased.

Other accounting policies are disclosed in other notes to the financial statements.

## **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. At June 30, 2005, the Partnership's cash and investments consist solely of investments in a bank investment pool. The Partnership has elected to comply with the City's investment policy.



# Monroe Raw Water Intake Partnership

## Notes to Financial Statements June 30, 2005

### Note 3 - Capital Assets

A summary of the Partnership's fixed assets is as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Capital assets being depreciated:				
Water mains	\$ 3,296,709	\$ -	\$ -	\$ 3,296,709
Buildings, additions, and improvements	2,821,143	79,324	-	2,900,467
Subtotal	6,117,852	79,324	-	6,197,176
Accumulated depreciation:				
Water mains	497,392	55,266	-	552,658
Buildings, additions, and improvements	512,441	56,287	-	568,728
Subtotal	1,009,833	111,553	-	1,121,386
Net capital assets	\$ 5,108,019	\$ (32,229)	\$ -	\$ 5,075,790

### Note 4 - Risk Management

The Partnership is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Partnership participates in the City's risk management program for workers' compensation, which is accounted for in the City's Internal Service Fund. The Partnership participates, in conjunction with the City, in the Michigan Municipal League Risk Pool for claims related to general liability.

### Note 5 - Budget

The State's Budget Act does not require a formal budget to be adopted for Enterprise Funds. However, because of the contractual agreement between the two communities, an annual budget is adopted and is included in these financial statements for management control purposes.